

**TOWN OF NEW LLANO**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**With Comparative Totals for June 30, 2002**

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November 3, 2003

Independent Auditors' Report

The Honorable Mayor  
and Members of the Board of Aldermen  
Town of New Llano, Louisiana

We have audited the accompanying general purpose financial statements of the Town of New Llano, Louisiana as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of New Llano, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of New Llano, Louisiana, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2003, on our consideration of the Town of New Llano, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



ROZIER, HARRINGTON & McKAY  
Certified Public Accountants

**TOWN OF NEW LLANO, LOUISIANA**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
June 30, 2003  
With Comparative Totals for June 30, 2002

	Governmental Funds		Proprietary Funds	Account Groups		Memorandum Totals	
	General	Capital Projects	Enterprise	General Fixed Assets		2003	2002
<b><u>Assets</u></b>							
Cash and cash equivalents	\$ 86,877	\$ -	\$ 11,775	\$ -		\$ 98,652	\$ 36,003
Receivables (net of allowance for doubtful accounts)	3,680	-	62,062	-		65,742	60,678
Prepaid Insurance	7,722	-	2,306	-		10,028	-
Due from other governments	910	-	-	-		910	1,989
Restricted cash and cash equivalents	-	-	211,477	-		211,477	209,535
Property and equipment (net of accumulated depreciation)	-	-	3,241,004	1,395,964		4,636,968	4,682,930
<b>Total assets</b>	<u>\$ 99,189</u>	<u>\$ -</u>	<u>\$ 3,528,624</u>	<u>\$ 1,395,964</u>		<u>\$ 5,023,777</u>	<u>\$ 4,991,135</u>
<b><u>Liabilities and Fund equity</u></b>							
<b><u>Liabilities:</u></b>							
Accounts payable	\$ 8,258	\$ -	\$ 28,901	\$ -		\$ 37,159	\$ 25,123
Accrued liabilities	5,804	-	4,481	-		10,285	36,518
Payable from restricted assets:							
Customer deposits	-	-	58,957	-		58,957	60,070
Current portion of long-term debt	-	-	46,000	-		46,000	38,000
Accrued interest	-	-	7,248	-		7,248	5,709
LCDBG Payable	-	-	-	-		-	32,933
Revenue bonds payable	-	-	622,000	-		622,000	661,000
Capital leases payable	-	-	2,218	-		2,218	12,119
Certificate of Indebtedness	-	-	67,000	-		67,000	80,000
<b>Total liabilities</b>	<u>14,062</u>	<u>-</u>	<u>836,805</u>	<u>-</u>		<u>850,867</u>	<u>951,472</u>
<b><u>Fund equity:</u></b>							
Investment in general fixed assets	-	-	-	1,395,964		1,395,964	1,380,136
Contributed capital	-	-	2,227,452	-		2,227,452	2,202,690
Retained earnings:							
Unrestricted	-	-	365,095	-		365,095	375,199
Restricted by bond indenture	-	-	99,272	-		99,272	72,822
Fund balance:							
Unreserved	85,127	-	-	-		85,127	8,816
<b>Total fund equity</b>	<u>85,127</u>	<u>-</u>	<u>2,691,819</u>	<u>1,395,964</u>		<u>4,172,910</u>	<u>4,039,663</u>
<b>Total liabilities and fund equity</b>	<u>\$ 99,189</u>	<u>\$ -</u>	<u>\$ 3,528,624</u>	<u>\$ 1,395,964</u>		<u>\$ 5,023,777</u>	<u>\$ 4,991,135</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF NEW LLANO, LOUISIANA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**All Governmental Fund Types**  
For the year ended June 30, 2003  
With Comparative Totals for the Year Ended June 30, 2002

			Memorandum Totals	
	General	Capital Projects	2003	2002
<b>Revenues:</b>				
Taxes:				
Ad valorem	\$ 20,450	\$ -	\$ 20,450	\$ 21,552
Sales tax	90,065	-	90,065	86,340
Licenses and permits:				
Occupational licenses	40,834	-	40,834	43,415
Franchise	61,283	-	61,283	68,211
Intergovernmental:				
Beer tax	4,320	-	4,320	4,310
Grant revenues	13,620	24,762	38,382	553,087
Fines and fees:	393,434	-	393,434	300,142
Miscellaneous:				
Interest	1,280	-	1,280	2,635
Other	10,411	-	10,411	20,017
<b>Total revenues</b>	<b>635,697</b>	<b>24,762</b>	<b>660,459</b>	<b>1,099,709</b>
<b>Expenditures:</b>				
General government	129,840	-	129,840	159,520
Public safety	390,625	-	390,625	384,781
Streets and Drainage	56,248	-	56,248	60,962
Capital Outlays	15,828	24,762	40,590	571,920
<b>Total expenditures</b>	<b>592,541</b>	<b>24,762</b>	<b>617,303</b>	<b>1,177,183</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>43,156</b>	<b>-</b>	<b>43,156</b>	<b>(77,474)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	40,175	-	40,175	15,650
Operating transfers out	(7,020)	-	(7,020)	(5,904)
<b>Total other financing sources (uses)</b>	<b>33,155</b>	<b>-</b>	<b>33,155</b>	<b>9,746</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	<b>76,311</b>	<b>-</b>	<b>76,311</b>	<b>(67,728)</b>
<b>Fund balance - beginning</b>	<b>8,816</b>	<b>-</b>	<b>8,816</b>	<b>76,544</b>
<b>Fund balance - end of year</b>	<b>\$ 85,127</b>	<b>\$ -</b>	<b>\$ 85,127</b>	<b>\$ 8,816</b>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF NEW LLANO, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**General Fund**  
For the year ended June 30, 2003

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Taxes	\$ 107,000	\$ 110,515	\$ 3,515
License and permits	75,000	102,117	27,117
Intergovernmental	8,000	17,940	9,940
Fines and fees	375,000	393,434	18,434
Miscellaneous	20,000	11,691	(8,309)
<b>Total revenues</b>	<b>585,000</b>	<b>635,697</b>	<b>50,697</b>
<b><u>Expenditures:</u></b>			
General and administrative	169,200	129,840	39,360
Public safety	340,000	390,625	(50,625)
Streets and drainage	55,800	56,248	(448)
Capital outlays	20,000	15,828	4,172
<b>Total expenditures</b>	<b>585,000</b>	<b>592,541</b>	<b>(7,541)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>43,156</b>	<b>43,156</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	40,175	40,175
Operating transfers out	-	(7,020)	(7,020)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>33,155</b>	<b>33,155</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	<b>-</b>	<b>76,311</b>	<b>76,311</b>
<b>Fund balance - beginning of year</b>	<b>8,816</b>	<b>8,816</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 8,816</b>	<b>\$ 85,127</b>	<b>\$ 76,311</b>

*The accompanying notes are an integral part of the financial statements.*

# TOWN OF NEW LLANO, LOUISIANA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

### Proprietary Fund Type

For the year ended June 30, 2003

With Comparative Totals for the Year Ended June 30, 2002

	Enterprise Funds	
	2003	2002
<b><u>Operating revenues:</u></b>		
Water charges	\$ 274,367	\$ 213,048
Sewer charges	173,615	158,542
Service charges, penalties, and late fees	28,110	25,836
Miscellaneous	11,967	14,625
<b>Total operating revenues</b>	<b>488,059</b>	<b>412,051</b>
<b><u>Operating expenses:</u></b>		
Water purchases	91,717	78,907
Salaries and wages	92,905	98,707
Materials, supplies, and maintenance	26,102	10,711
Office operations	21,691	18,254
Payroll taxes and expenses	12,956	10,836
Vehicle and travel	4,776	6,434
Insurance	24,491	20,986
Professional fees	3,641	3,979
Miscellaneous	14,357	7,913
Utilities and telephone	27,331	23,724
Depreciation	89,912	77,397
Uniform and equipment rental	2,673	3,266
<b>Total operating expenses</b>	<b>412,552</b>	<b>361,114</b>
<b>Operating income</b>	<b>75,507</b>	<b>50,937</b>
<b><u>Non-operating revenues (expenses):</u></b>		
Interest income	1,175	2,597
Interest expense	(27,181)	(22,446)
<b>Total non-operating revenues (expenses)</b>	<b>(26,006)</b>	<b>(19,849)</b>
<b>Income (loss) before operating transfers</b>	<b>49,501</b>	<b>31,088</b>
<b><u>Operating transfers in (out):</u></b>		
Transfers in	7,020	26,454
Transfers out	(40,175)	(36,200)
<b>Total operating transfers in (out)</b>	<b>(33,155)</b>	<b>(9,746)</b>
<b>Net income (loss)</b>	<b>16,346</b>	<b>21,342</b>
<b>Retained earnings - beginning</b>	<b>448,021</b>	<b>426,679</b>
<b>Retained earnings - end of year</b>	<b>\$ 464,367</b>	<b>\$ 448,021</b>

*The accompanying notes are an integral part of the financial statements.*

# TOWN OF NEW LLANO, LOUISIANA

## STATEMENT OF CASH FLOWS

### Proprietary Fund Type

For the year ended June 30, 2003

With Comparative Totals for the Year Ended June 30, 2002

	Enterprise Funds	
	2003	2002
<b><u>Cash flow from operating activities:</u></b>		
Operating income (loss)	\$ 75,507	\$ 50,937
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	89,912	77,397
(Increase) decrease in accounts receivable	(7,071)	(2,641)
(Increase) decrease in prepaid expenses	(2,306)	-
(Decrease) increase in operating accounts payable	10,893	8,697
(Decrease) increase in accrued liabilities	(8,311)	4,670
(Decrease) increase in customer deposits	(1,113)	3,925
<b>Net cash provided (used) by operating activities</b>	<b>157,511</b>	<b>142,985</b>
<b><u>Cash flows from non-capital financing activities:</u></b>		
Increase (decrease) in due to other funds	-	(2,600)
Operating transfers in (out)	(33,155)	(9,746)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(33,155)</b>	<b>(12,346)</b>
<b><u>Cash flows from capital and related financing activities:</u></b>		
Interest payments	(25,642)	(22,748)
Principal payments	(53,901)	(44,924)
Proceeds from Borrowings	-	80,000
Net Cash Paid for Fixed Assets	(36,293)	(139,893)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(115,836)</b>	<b>(127,565)</b>
<b><u>Cash flows from investing activities:</u></b>		
Interest and other income	1,175	2,597
<b>Net cash provided (used) by investing activities</b>	<b>1,175</b>	<b>2,597</b>
<b>Net increase (decrease) in cash</b>	<b>9,695</b>	<b>5,671</b>
<b>Beginning cash balance</b>	<b>213,557</b>	<b>207,886</b>
<b>Ending cash balance</b>	<b>223,252</b>	<b>213,557</b>
<b>Restricted cash</b>	<b>211,477</b>	<b>209,535</b>
<b>Cash and cash equivalents</b>	<b>\$ 11,775</b>	<b>\$ 4,022</b>

**Supplemental Disclosure of Cash Flow Information:**

For the year ended June 30, 2003, the capital projects fund expended \$24,762 toward constructing utility system improvements, using grant funds provided by the LCDBG Program. For the year ended June 30, 2002, utility system improvements in the amount of \$568,837 were constructed by the capital projects fund on behalf of the utility fund. Cash funding was provided by grant funds totaling \$553,087 and local matching funds totaling \$15,650.

*The accompanying notes are an integral part of the financial statements.*



# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization and Basis of Presentation**

The Town of New Llano (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police protection), streets and drainage, sanitation, public improvements, utilities (water and sewerage), and general administrative services.

The accounting and reporting practices of the Town of New Llano, Louisiana conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods.

The following is a summary of the more significant accounting policies.

#### **Financial Reporting Entity**

As the municipal governing authority, for reporting purposes, the Town of New Llano, Louisiana, is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of New Llano, Louisiana, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the above criteria, the Town of New Llano has no component units for the year ended June 30, 2003.

# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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### **Fund Accounting**

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the Town:

### **Governmental Funds**

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Fund - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds.

### **Proprietary Fund**

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds of the Town account for operations of a combined water and sewer system.

### **Account Groups**

General Fixed Assets Account Group - This group of accounts is used to account for fixed assets of the Town other than those accounted for in the Proprietary Funds.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of the Town and are recognized as revenue at that time. Typically amounts that are expected to be collected within 60 days or amounts that are due under cost reimbursement arrangements are considered to be available.

# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt, which is recognized when due.

In both governmental and proprietary funds, inventories of supplies are considered immaterial and are not recorded.

The proprietary (enterprise) fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Utility revenues are billed on a cycle basis and are recognized in the month billed. Unbilled service receivables resulting from utility services rendered between cycle billing and the end of the month have been recognized in the accompanying financial statements.

The basis of accounting followed by proprietary funds is similar to accounting practices utilized by business enterprises. Due to these similarities, proprietary funds are allowed to follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

### **Budgets and Budgetary Practices**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Town Clerk prepares a proposed budget for the general fund for the upcoming year and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of the ensuing year. This budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. At the same time, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and prior to the commencement of the new year, the budget is legally enacted through passage of an ordinance.
5. All budgetary appropriations lapse at the end of each fiscal year.

# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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6. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Mayor and Board of Aldermen.

### **Cash and Cash Equivalents and Investments**

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Town may invest in U.S. bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if original maturities are 90 days or less, they are classified as cash equivalents. The Town had no investments at June 30, 2003.

### **Due To/From Other Funds**

Amounts in each fund listed as due to/from are offset by corresponding entries in other funds. Funds shown as such are considered available for expenditure unless specifically restricted within the statements. Interfund receivables and payables are not eliminated in the preparation of combined financial statements.

### **Fixed Assets and Long-Term Liabilities**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and they are recorded as expenditures in the governmental fund types when purchased. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost including interest, unless they were donated in which case they are valued at fair market value at the date of donation. At June 30, 2003, there were no material amounts of donated assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. As of and for the year ended June 30, 2003, there was no activity in the General Long-Term Debt Group.

These two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund at historical cost including interest. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water Utility	
Water Lines and System	50 years

# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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Fire Hydrants	10 years
Meters	10 years
Equipment	5-7 years
Sewer Utility	
Lines and System	50 years
Trucks	5 years
Equipment	5-20 years

### **Contributed Capital**

In the Enterprise Funds, amounts contributed to the Town for acquisition or construction of fixed assets are recorded as contributed capital. Depreciation of these contributed capital assets is computed using the straight-line method over the estimated useful lives of the assets and is charged as a current period expense.

### **Reserves**

Reserves represent those portions of fund equity not available for appropriation, for expenditure, or legally segregated for a specific future use.

### **Statement of Cash Flows**

The Town has adopted Government Auditing Standards Board Statement No. 9 "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." This statement requires entities to report a statement of cash flows as part of a full set of financial statements instead of reporting a statement of changes in financial position. For the purposes of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in bank, and certificates of deposit.

### **Compensated Absences**

The Town does not accumulate any paid vacation, sick pay, or other employee benefit amounts because employees are not allowed to carry over significant amounts.

### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

### **Total Columns on Combined Statements - Overview**

Total columns on the combined statements are captioned "Memorandum Totals" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles; nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### **Bad Debts**

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account based on historical information which would indicate the uncollectibility as a percentage of the particular receivable.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Encumbrance Accounting**

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

### **NOTE 2 - CASH AND CASH EQUIVALENTS**

At June 30, 2003, cash and cash equivalents totaled \$310,129 (Book Balance) and \$345,830 (Bank Balance). The composition of these accounts is as follows:

	Book Balance	Bank Balance
Demand Deposits – Non Interest Bearing	\$ 53,109	\$ 89,671
Interest Bearing Checking and Certificates of Deposit	256,920	256,159
Petty Cash	100	----
Total Cash	310,129	345,830
Restricted Cash	211,477	215,803
Cash and Cash Equivalents	\$ 98,652	\$ 130,027

Under state law, these deposits must be secured by Federal Deposit Insurance or the pledge of securities owned by the bank. The securities pledged are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2003, all deposits with financial institutions were covered by federal deposit insurance in the amount of \$227,462 and pledged securities (GASB Category 3) with a market value of \$130,000.

Even though the pledged securities are considered Uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana law imposes a statutory requirement on the custodial bank to advertise

***TOWN OF NEW LLANO, LOUISIANA***

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

and sell the pledged securities within 10 days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

**NOTE 3 - AD VALOREM TAXES**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2003, taxes of 4.0 mills totaling \$20,450 were levied and collected on property and were dedicated to general corporate purposes. There were no material amounts of tax receivable at June 30, 2003.

**NOTE 4 - RECEIVABLES**

The receivables at June 30, 2003, are as follows:

	General Fund	Enterprise Fund	Memorandum Totals
Charges for services	\$ ----	\$ 64,719	\$ 64,719
Other charges	3,680	----	3,680
Total receivables	3,680	64,719	68,399
Less: allowance for uncollectibles	----	(2,657)	(2,657)
Receivables, net of allowance	\$ 3,680	\$ 62,062	\$ 65,742

**NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units at June 30, 2003, consisted of the following:

	General Fund	Total
State of Louisiana:		
Beer taxes	\$ 910	\$ 910
Total	910	\$ 910

**NOTE 6 - GENERAL FIXED ASSETS**

A summary of changes in general fixed assets, at cost, follows:

**TOWN OF NEW LLANO, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and Land	\$ 112,539	\$ ----	\$ ----	\$ 112,539
Improvements Other Than Buildings	768,877	15,828	----	784,705
Equipment	498,720	----	----	498,720
Totals	\$1,380,136	\$ 15,828	\$ ----	\$1,395,964

**NOTE 7 - PROPERTY AND EQUIPMENT**

A summary of the property and equipment in the Enterprise Fund at June 30, 2003, consists of the following:

Land	\$ 28,835
Building	10,238
Distribution System	3,638,174
Equipment	103,818
Vehicles	33,162
Construction in Progress	24,762
Subtotal	3,838,989
Less Accumulated Depreciation	597,985
Net Property and Equipment	\$ 3,241,004

For the year ended June 30, 2003, depreciation expense totaled \$89,912.

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a summary of payables at June 30, 2003:

	General Fund	Utility Fund	Total
Accounts payable:			
Operating	\$ 8,258	\$ 28,901	\$ 37,159
Total accounts payable	\$ 8,258	\$ 28,901	\$ 37,159
Accrued liabilities:			
Salaries payable	\$ 5,804	\$ 1,619	\$ 7,423
DHH service fees	----	2,862	2,862
Total accrued liabilities	\$ 5,804	\$ 4,481	\$ 10,285

**NOTE 9 – LONG TERM DEBT**

Long-term debt activity for the year ended June 30, 2003, is summarized as follows:



**TOWN OF NEW LLANO, LOUISIANA****NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

Proprietary Fund	Balance 6-30-02	Additions	Payments	Balance 6-30-03
Sewer Revenue bonds	\$ 699,000	\$ ----	\$ 38,000	\$ 661,000
Capital leases	12,119	----	9,901	2,218
Certificates of Indebtedness	80,000	----	6,000	74,000
Total	791,119	----	53,901	737,218
Less Current Portion				46,000
Long-term Debt				<u>\$ 691,225</u>

**Sewer Revenue Bonds**

The Sewer Revenue Bonds constitute special obligations of the Town secured by a lien on and pledge of the net revenues of the utility system.

Revenue Bonds	Enterprise Fund
Sewer Revenue Bonds, dated August 30, 1996, due in annual installments ranging from \$33,920 to \$57,000, maturing March 1, 2017, bearing interest at a rate of 2.45%. Revenue generated by the Town's water and sewer system has been pledged to secure these bonds.	\$ 661,000
Total	661,000
Less: current portion of long-term debt	39,000
Net long-term debt	<u>\$ 622,000</u>

**Certificates of Indebtedness**

The Town has issued certificates which are secured by and payable from a pledge of excess of annual revenues above statutory, necessary and usual charges incurred by the Town. Certificates of indebtedness outstanding at June 30, 2003, are described below.

	Enterprise Fund
\$80,000 Certificates of Indebtedness, Series 2002, bearing interest at a rate of 5%. Principle is payable in annual installments ranging from \$6,000 to \$10,000, with the final installment due January 1, 2012.	\$ 74,000
Total	
Less: current portion of long-term debt	7,000
Total Certificates of Indebtedness	<u>\$ 67,000</u>

**Annual Requirements to Retire Debt Obligations**

The annual aggregate maturities for the years subsequent to June 30, 2003, are as follows:

**TOWN OF NEW LLANO, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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Year Ended June 30	Principal	Interest
2004	46,000	19,895
2005	47,000	18,589
2006	48,000	17,259
2007	50,000	15,905
2008	52,000	14,476
2009 – 2013	275,000	49,094
2014 – 2017	217,000	13,500
Total	\$ 735,000	\$ 148,718

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**Capital Leases**

In December 1998, the Town acquired a loader/backhoe at a cost of \$38,540 under a capital lease. The lease requires sixty monthly payments of \$747 at an annual interest rate of 6.25% beginning December 4, 1998, and maturing November 4, 2003. The future minimum lease payments under the capital lease and the net present value of the future lease payments at June 30, 2003 are as follows:

Year Ending June 30	Total
2004	\$ 2,218
Present value of the minimum lease payments	\$ 2,218

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**NOTE 10 - WATER CONTRACT**

The Town has a contract with the City of Leesville for the purchase of water. The contract has a primary term of four (4) years commencing April 1, 2002. There are no minimum payments required under the contract except for amounts of actual delivery, with the rates set at one dollar and five cents (\$1.05) per one thousand (1,000) gallons for the entire contract period.

**NOTE 11 - RISK MANAGEMENT**

The Town of New Llano is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

**NOTE 12 - COMPENSATION OF ELECTED OFFICIALS**

For the year ended June 30, 2003, the amounts of salaries and wages paid to the Mayor and Board of Aldermen were as follows:

# ***TOWN OF NEW LLANO, LOUISIANA***

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

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<u>Name</u>	<u>Position</u>	<u>Salary</u>
Freddie Boswell	Mayor	\$ 8,700
Carolyn Todd	Alderman	2,700
Bruce Cryer	Alderman	2,700
Bruce Harris	Alderman	2,700
Charles Balthrop	Alderman	2,700
Charlotte Cooper	Alderman	2,700
Totals		\$ 22,200

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### **NOTE 13 - CONTRIBUTED CAPITAL**

For the year ended June 30, 2003, capital contributions were limited to \$24,762 provided by the Louisiana Community Development Block Grant Program. Contributed capital for the year ended June 30, 2003, is \$2,227,452.

### **NOTE 14 - PENSION PLAN**

Substantially all employees of the Town of New Llano, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

*Plan Description.* The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

# **TOWN OF NEW LLANO, LOUISIANA**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

*Funding Policy.* Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of New Llano is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of New Llano are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

### **NOTE 15 - CAPITAL PROJECTS**

The Town was awarded funding for improvements to its sewer system in the form of a Community Development Block Grant. Expenditures related to the project as of June 30, 2003, are summarized as follows:

	<u>Current Expenditures</u>	<u>Total</u>
2002 LCDBG	\$ 24,762	\$ 24,762
Total expenditures	\$ 24,762	\$ 24,762

### **NOTE 16 - RESTRICTED EQUITY**

The Town has entered into revenue bond agreements that require funds to be held in restricted bank accounts. Funds on deposit in the restricted bank accounts can be used only under certain circumstances specified by the bond indenture.

The Town has also deposited money in accounts that are designated for refunding customer deposits. Restricted assets and liabilities payable from these assets are summarized as follows:

	<u>Bond Indenture</u>	<u>Deposits</u>	<u>Total</u>
Restricted assets	\$ 133,774	\$ 77,703	\$ 211,477
Liabilities payable from restricted assets	(53,248)	(58,957)	(112,205)
Restricted equity	\$ 80,526	\$ 18,746	\$ 99,272

**ROZIER, HARRINGTON & McKAY**  
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November 3, 2003

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor  
and Members of the Board of Aldermen  
New Llano, Louisiana

We have audited the general purpose financial statements of the Town of New Llano, Louisiana as of and for the year ended June 30, 2003, and have issued our report thereon dated November 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of New Llano, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of New Llano, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana CPAs

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.



ROZIER, HARRINGTON & McKAY  
Certified Public Accountants

**Town of New Llano, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2003**

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**Part I - Summary of Auditor's Results:**

- The Independent Auditor's Report on the financial statements for the Town of New Llano as of June 30, 2003, and for the year then ended expressed an unqualified opinion.
- No reportable conditions were noted in the audit.
- The results of the audit disclosed no instance of noncompliance that is considered to be material to the financial statements of the Town of New Llano.
- The Town was not required to have a Single Audit; therefore, none of the reporting required by OMB Circular A-133 was required.

**Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:**

- None

**Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:**

- None

**Town of New Llano, Louisiana  
Management's Corrective Action Plan  
For the Year Ended June 30, 2003**

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<b>SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
N/A – There were no findings in this area.	Response - N/A
<b>SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
N/A – There were no findings in this area.	Response - N/A
<b>SECTION III – MANAGEMENT LETTER</b>	
N/A – There were no findings in this area.	Response - N/A



**Town of New Llano, Louisiana**  
**Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2003**

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<b>SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
Finding – N/A – There were no findings in this area.	Response – N/A
<b>SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
Finding - N/A – There were no findings in this area.	Response - N/A
<b>SECTION III – MANAGEMENT LETTER</b>	
Finding - N/A – There was no management letter issued with this report.	Response - N/A